

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01  
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06  
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07  
CEA-01 AGRE-00 DOE-15 SOE-02 /120 W  
-----031888 121435Z /50

R 121232Z JUN 78  
FM AMEMBASSY OSLO  
TO SECSTATE WASHDC 5984  
INFO AMEMBASSY BRUSSELS  
AMEMBASSY COPENHAGEN  
AMEMBASSY PARIS  
AMEMBASSY STOCKHOLM

UNCLAS OSLO 2879

BRUSSELS FOR USEC

PARIS FOR USOEDC

E.O. 11652: N/A  
TAGS: EWWT, EIND, EFIN, PINT, NO  
SUBJ: GON ECONOMIC PROGRAM APPROVED BY PARLIAMENT

REF: OSLO 2699

1. PER REFTEL, THE NORWEGIAN STORTING DEBATED AND APPROVED THE GOVERNMENT'S ECONOMIC PROGRAM ON JUNE 7-8, THOUGH WITH SEVERAL CHANGES DEMANDED BY THE OPPOSITION AIMED AT QUOTE CORRECTING THE ECONOMIC SITUATION. UNQUOTE SPECIFIC MODIFICATIONS TO THE PROGRAM INCLUDE A REDUCTION TO BOTH THE EMPLOYER'S TAX FOR A NUMBER OF INDUSTRIES BY APPROXIMATELY THREE PERCENT AND THE INVESTMENT TAX FROM NINE PERCENT TO FIVE PERCENT FOR MINING AND INDUSTRY GENERALLY. (AS NOTED REFTEL, THE GON'S REVISED NATIONAL BUDGET CONTEMPLATED ABOLITION OF THE INVESTMENT TAX.) IN ADDITION, TO FURTHER

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DAMPEN CONSUMER DEMAND, THE INCOME TAX WAS RAISED BY ONE PERCENT AND THE ELECTRICITY TAX WAS DOUBLED. AS THE LABOR PARTY ACCEPTED ITS LEFT WING ALLIES' (SV) PRICE FOR COOPERATION HALVING THE INVESTMENT TAX INSTEAD OF ABOLISHING IT), DEBATE ON THE ECONOMIC PROGRAM WAS LARGELY PRO FORMA. HOWEVER, PRIME MINISTER NORDLI DID TAKE THE OCCASION TO STRESS THAT THE MAIN ECONOMIC TASK

FACING THE GOVERNMENT WAS TO CREATE COMPETITIVE AND PROFITABLE INDUSTRY, MAINTAINING CAUTION WITH RESPECT TO ATTEMPTS TO ACHIEVE APPARENT SOLUTIONS THROUGH SUBSIDIES.

2 COMMENT: THERE ARE BASICALLY TWO CAMPS IN NORWAY ON ECONOMIC ISSUES. THE LABOR PARTY (BUT NOT ITS LEFT WING YOUTH GROUP, A SUBSTANTIAL NUMBER OF CONSERVATIVES AND A FEW OTHERS BELIEVE THAT TO PRESERVE WHAT IS IMPORTANT IN THE NORWEGIAN WAY OF LIFE REQUIRES A MORE OR LESS CONTINUOUS PROCESS OF STRUCTURAL ECONOMIC ADJUSTMENT. (THIS CAMP IS VERY CONSCIOUS OF THE DAMAGE TO THE ECONOMY OVER THE LAST TWO YEARS DONE BY PRETENDING THAT CHANGE IS RESISTABLE.) IN THE OTHER CAMP ARE MAY IN THE MINOR PARTIES (FARMERS, LIBERALS, CHRISTIAN PEOPL'S PARTY, LABOR'S ALLIES, THE SOCIALIST LEFT, AND A FEW CONSERVATIVES WHO BELIEVE THAT NORWEGIAN VALUES AND PRACTICES ARE SOMEHOW FIXED AND THAT CHANGE IMPLIES A DEROGATION FROM AN EXISTING IDEAL. UNFORTUNATELY FOR THOS ACCEPTING OF CHANGE, THE CONSERVATIVES ARE OFTEN UNWILLING TO ALLY THEMSELVES WITH THE LABOR PARY ON CRUCIAL ISSUES BECAUSE LABOR'S POLITICAL DEFEATS IMPLY AN EVENTUAL CONSERVATIVE GOVERNMENT. THE RESULT IS THAT WHILE THERE IS A SLIM PARLIAMENTARY MAJORITY IN FOAVOR OF TAKING STEPS TO ENSURE EFFECTIVE ECONOMIC RESTRUCTURING (AND THUS PUSH NORWAY SAFELY THROUGH A PROPEROUS PRESENT TO AN EVEN MORE PROSPEROUS FUTURE), THIS MAJORITY IS FREQUENTLY UNCLASSIFIED

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NOT REALIZABLE. A PERFECT EXAMPLE OF THE WAY THE TWO CAMPS BALANCE OUT AT PRESENT CAN BE SEEN IN THE GON'S INABILITY TO ABOLISH THE INVESTMENT TAX. THIS WOULD BE AN INCENTIVE TO RESTRUCTURING AND THUS CHANGE AND THE BEST LABOR COULD DO WAS TO GET IT REDUCED, AND THE PRICE WAS A REDUCTION IN THE EMPLOYER'S TAX WHICH IS AN INCENTIVE TO MAINTAIN THE STATUS QUO. THUS, APPROVAL OF THE GON'S ECONOMIC PROGRAM TURNS OUT TO BE NEITHER A VICTORY NOR A DEFEAT FOR EITHER SIDE AND WE THINK AN EXCELLENT INDICATION OF WHAT PRIME MINISTER NORDLI CAN EXPECT AS HE BATTLES WITH ERODING MARKET SHARES ABROAD, RISING WAGE COSTS AT HOME, INVESTMENT OF OIL INCOME, AND A BASICALLY SENSIBLE POPULATION THAT IS NVERTLESS PRONE TO INDULGE IN SUSPICIONS THAT FREE ENTERPRISE IS EXPLOITATIVE WHILE FULLY EXPECTING THE BENEFITS IT OFFERS.

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## Message Attributes

**Automatic Decaptoning:** X

**Capture Date:** 01 jan 1994

**Channel Indicators:** n/a

**Current Classification:** UNCLASSIFIED

**Concepts:** VOTING, ECONOMIC PROGRAMS, CENTRAL LEGISLATURE

**Control Number:** n/a

**Copy:** SINGLE

**Draft Date:** 12 jun 1978

**Decapton Date:** 01 jan 1960

**Decapton Note:**

**Disposition Action:** n/a

**Disposition Approved on Date:**

**Disposition Case Number:** n/a

**Disposition Comment:**

**Disposition Date:** 01 jan 1960

**Disposition Event:**

**Disposition History:** n/a

**Disposition Reason:**

**Disposition Remarks:**

**Document Number:** 1978OSLO02879

**Document Source:** CORE

**Document Unique ID:** 00

**Drafter:** n/a

**Enclosure:** n/a

**Executive Order:** N/A

**Errors:** N/A

**Expiration:**

**Film Number:** D780245-0109

**Format:** TEL

**From:** OSLO

**Handling Restrictions:** n/a

**Image Path:**

**ISecure:** 1

**Legacy Key:** link1978/newtext/t19780670/aaaachzh.tel

**Line Count:** 110

**Litigation Code IDs:**

**Litigation Codes:**

**Litigation History:**

**Locator:** TEXT ON-LINE, ON MICROFILM

**Message ID:** bdc0568b-c288-dd11-92da-001cc4696bcc

**Office:** ACTION EUR

**Original Classification:** UNCLASSIFIED

**Original Handling Restrictions:** n/a

**Original Previous Classification:** n/a

**Original Previous Handling Restrictions:** n/a

**Page Count:** 3

**Previous Channel Indicators:** n/a

**Previous Classification:** n/a

**Previous Handling Restrictions:** n/a

**Reference:** 78 OSLO 2699

**Retention:** 0

**Review Action:** RELEASED, APPROVED

**Review Content Flags:**

**Review Date:** 29 mar 2005

**Review Event:**

**Review Exemptions:** n/a

**Review Media Identifier:**

**Review Release Date:** N/A

**Review Release Event:** n/a

**Review Transfer Date:**

**Review Withdrawn Fields:** n/a

**SAS ID:** 2393675

**Secure:** OPEN

**Status:** NATIVE

**Subject:** GON ECONOMIC PROGRAM APPROVED BY PARLIAMENT

**TAGS:** EWWT, EIND, EFIN, PINT, NO

**To:** STATE

**Type:** TE

**vdkgvgwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/bdc0568b-c288-dd11-92da-001cc4696bcc

**Review Markings:**

Sheryl P. Walter

Declassified/Released

US Department of State

EO Systematic Review

20 Mar 2014

**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014